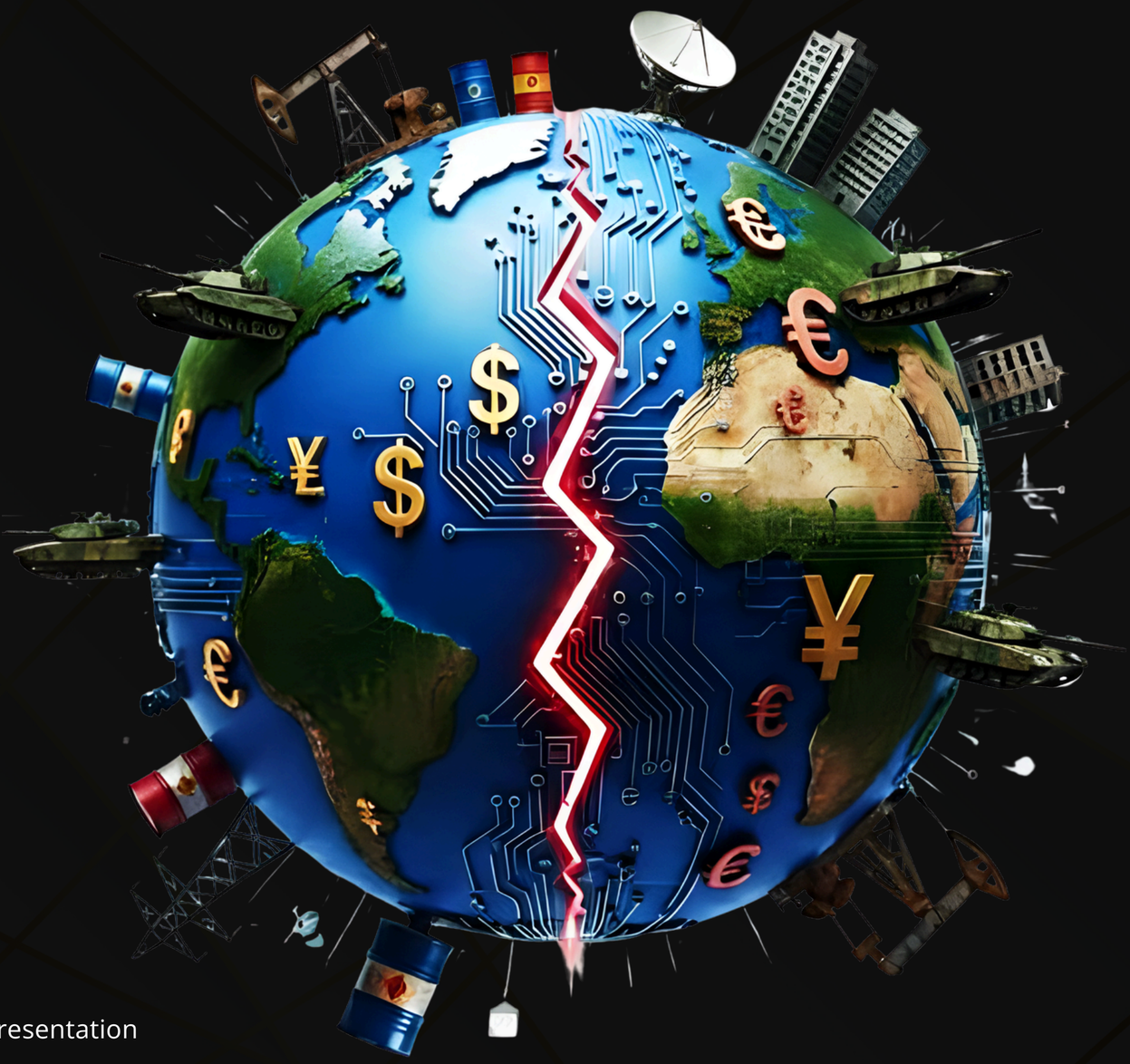
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A World In Transition



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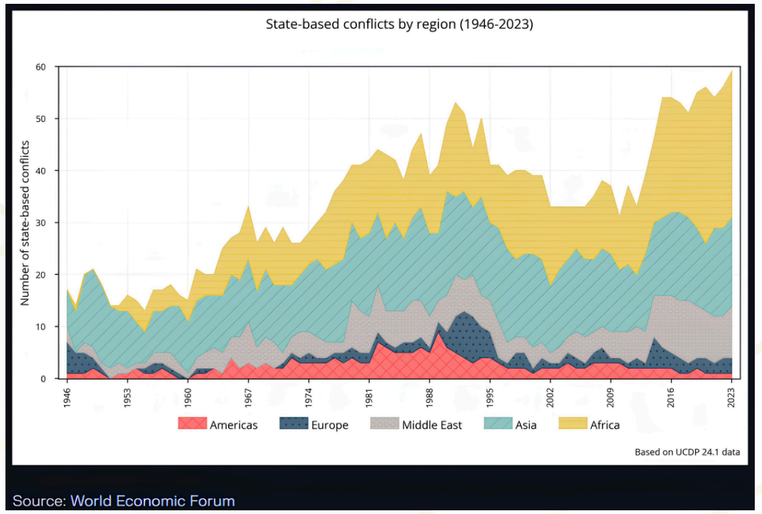
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CIO View (1/4)

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It would not be unreasonable to say that our current view of the global economy and financial markets is somewhat clouded by the ‘fog of war’. A new world is taking shape in front of our eyes, the contours of which we can barely make out. Meanwhile, financial markets continue to power on, seemingly unbothered by the risks on the horizon.

As we try to feel our way tentatively through, some dominant themes seem to stand out.



Economic Nationalism and Deglobalization

An almost 80-years long era of international rules-based economic order, with countries broadly at peace and cooperating with each other to maximize efficiency, is rapidly collapsing. A multipolar world is emerging, rooted in economic and political nationalism, unravelling of globalization, and diverging technological architectures. Persistent tariffs, supply chain realignments ("friend-shoring"), fiscal dominance, and protectionism reshape trade and markets. Global growth is subdued, with fragmentation, industrial policy shifts, and debates over debt, debasement, and hard assets. This includes "follow the money" dynamics in defense, critical minerals, and real assets amid uncertainty.

US-China Rivalry and Great Power Competition

The world’s two largest economies are locked in a battle for supremacy. High-stakes diplomacy, such as Trump's recent summit with Xi Jinping, focuses on Taiwan (with Xi warning of potential conflict), trade, tech restrictions, and Iran. Broader tensions involve tariffs, supply chain shifts, and strategic competition in Asia.

Shifting Global Order, Fiscal Dominance and Multipolar Uncertainties

Broader fragmentation includes defense spending upgrades by countries, political shifts (e.g., in Latin America/Europe), multilateralism in retreat, and risks around migration, cyber, and humanitarian issues. A significant increase in economic inequality has resulted in societal polarization and forced many economies to borrow beyond their means, resulting in an era of fiscal dominance. Economic broadening (beyond concentrated US/tech growth) and policy responses to conflicts/tariffs add layers.

CIO View (2/4)

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Geopolitical Conflicts and Middle East Instability

The ongoing 2026 US-Iran war, disruptions in the Strait of Hormuz, energy shortages, and related ceasefires and negotiations dominate current headlines. This includes US naval operations, attacks on shipping, high costs (war price tag exceeding $29 billion), and ripple effects on global energy markets. Particularly for us in the MENA region, tensions also involve Israel-Lebanon/Gaza dynamics and broader regional fallout. All of this underscores heightened risks to global trade routes, supplies of oil and several other critical products, and new geopolitical alliances.

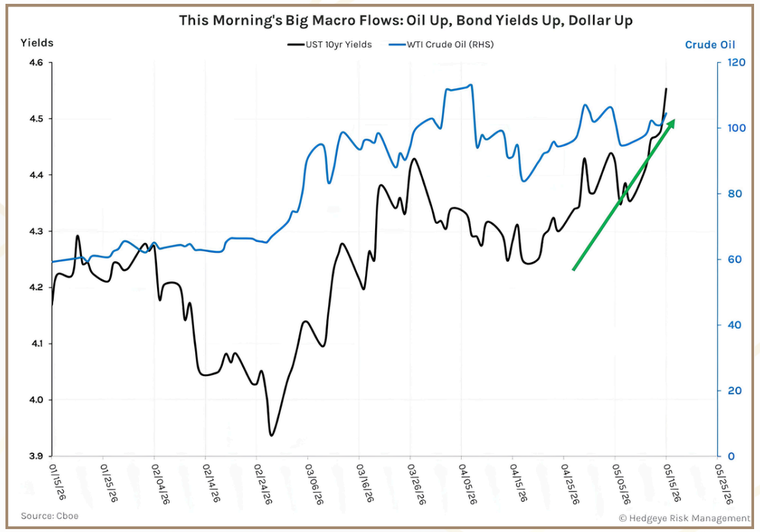
Artificial Intelligence “Revolution” that Underpins Most Things

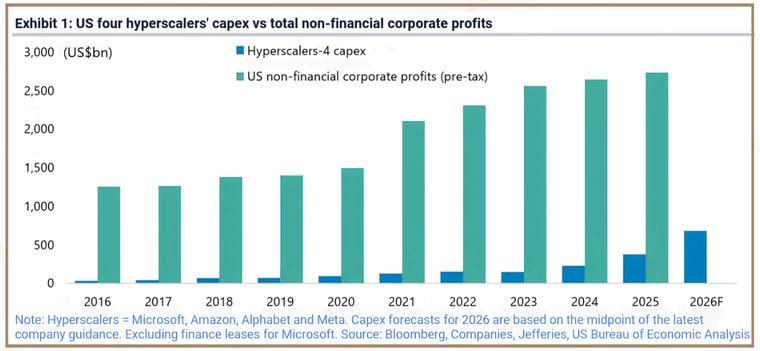
With its vastly superior capabilities, AI can magnify and expedite all the above trends, both for the better and for the worse. As of now, the "AI buildout" continues strongly, and AI remains a massive driver of investment, with hundreds of billions of projected capex across chips, data centers, and power needs. This fuels demand for electricity, natural gas, nuclear (including SMRs), and related infrastructure, with infrastructure still in early stages and productivity benefits emerging. Energy volatility ties into this, amplifying shortages from conflicts.

Energy Transition, Volatility, and Security

Oil industry turmoil, nuclear renaissance interest, renewables push, and conflict-driven shortages highlight energy as a strategic priority. Themes include power solutions for AI/data centers, uranium, grid infrastructure, and the interplay of fossil fuels with green transitions. Geopolitics (e.g., Hormuz disruptions) exacerbates this.

As is to be expected, these themes often overlap and feed into each other. Using these as the basis, some investment implications follow.





CIO View (3/4)

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Defense and Security Spending Boom

Escalating conflicts and multipolar tensions with the US scaling back its long-held position of providing ‘pax Americana’ and resulting alliance upgrades drive record defense budgets (US proposals nearing $900B+ FY2026, NATO targets). This benefits prime contractors, missile systems, drones, cybersecurity, AI-enabled defense tech (e.g., Palantir), and autonomous systems.

Key exposure: Defense stocks, aerospace, and dual-use tech.

AI Infrastructure and Compute Buildout

The AI boom continues with massive capex (hundreds of billions annually) for data centers, chips, power solutions, and applications. This intersects with energy demands and remains in early-to-mid stages, shifting from hype to industrialization and productivity gains.

Key exposure: Semiconductors, data center operators, AI software/infrastructure, and related industrials.

Energy Security, Power, and Nuclear Renaissance

Geopolitical disruptions (e.g., Strait of Hormuz), AI-driven electricity demand, and transition needs fuel investments in reliable baseload power. Nuclear (including SMRs), natural gas, utilities, grid modernization, and renewables with storage are prioritized for resilience.

Key exposure: Nuclear/uranium, utilities, energy infrastructure, and oil & gas services amid volatility.

Critical Minerals, Commodities, and Reshoring

US-China decoupling, tariffs, and deglobalization accelerate "friend-shoring" and domestic supply chains for semiconductors, defense, and energy tech. Demand surges for copper, uranium, rare earths, lithium, and other minerals.

Key exposure: Mining equities (critical minerals, gold as a debasement hedge), materials, and reshoring/industrial beneficiaries.

CIO View (4/4)

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Economic Nationalism, Tariffs, and Deglobalization Plays

Persistent protectionism, supply chain realignments, and fiscal dominance favor companies in domestic manufacturing, industrials benefiting from onshoring, hard assets, and sectors resilient to trade fragmentation. Gold and real assets act as hedges against uncertainty and potential debasement.

Key exposure: Industrials, infrastructure, select EM plays, commodities, and inflation-resilient assets.

Intersections and Thematic Convergence (AI + Energy + Geopolitics)

Many outperformance opportunities arise at the overlaps: AI needing power (driving nuclear/utilities), geopolitics boosting defense + energy security, and multipolarity favoring diversified or resilient supply chains. This includes electrification, private infrastructure/credit, and broad industrials.

Key exposure: Thematic ETFs or companies spanning power solutions, defense tech, and AI-adjacent infrastructure.

These themes are interconnected, e.g., AI amplifies energy and geopolitical stakes, while conflicts reinforce nationalism and commodities demand. Markets can shift rapidly with news (ceasefires, policy changes, earnings), so consider diversification, risk tolerance, and time horizon. We recommend a multi-asset balanced thematic portfolio incorporating the above investment themes, which is somewhat equity-heavy but adds diversification across other asset classes for better risk management, income, inflation hedging, and resilience. This is a moderate growth-oriented allocation (suitable for 5–10+ year horizons with medium-high risk tolerance).

Asset Class	Portfolio Allocation
Equities (Thematic growth)	55–60%
Commodities & Real Assets (Inflation / Geopolitical Hedge)	15–20%
Fixed Income / Credit (Stability & Income)	10–15%
Infrastructure & Alternatives (Real Asset Exposure + Yields)	10–15%
Cash / Short-Term (Dry Powder & Liquidity)	0–5%

As stated earlier, markets have been on a tear and are at levels that in our opinion warrants near-term caution. As such, we recommend that investors manage risks very carefully at this time through a combination of position-sizing and appropriate hedges.

Hormuz, Independence, and the Markets in Between

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Short-Term Outlook – Negativeto Neutral Impact

- Current price environment is a Hormuz story, not an OPEC story Brent has risen ~58% since February 28 — driven entirely by supply disruption, not demand
- Single variable to watch: Strait status — when it reopens, energy, agriculture, and freight reprice simultaneously. When Trump paused the Hormuz escort on May 5, WTI dropped 7% in one session The reversal, when it comes, will be fast and broad

Long-Term Outlook – Positive Impact

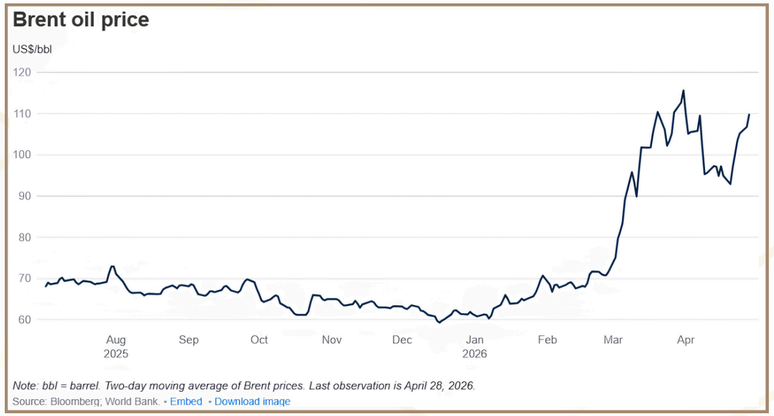
- Structural direction is lower once the war premium deflates - Goldman Sachs, and JPMorgan collectively place 2027 Brent in a $57–80 range
- Drivers are concurrent: UAE ramping to 4.6 -5 mb/d quota-free, US production near record levels, weakening OPEC discipline, EV adoption eroding transport fuel demand
- Lower sustained oil prices benefit airlines and automotive manufacturers through reduced fuel and input costs, while compressing margins for energy-heavy industrials repriced at today's elevated levels
- Recent development shows ADNOC fast-tracking its new West-East Pipeline to Fujairah, set to come online in 2027 and double UAE crude export capacity outside the Strait of Hormuz

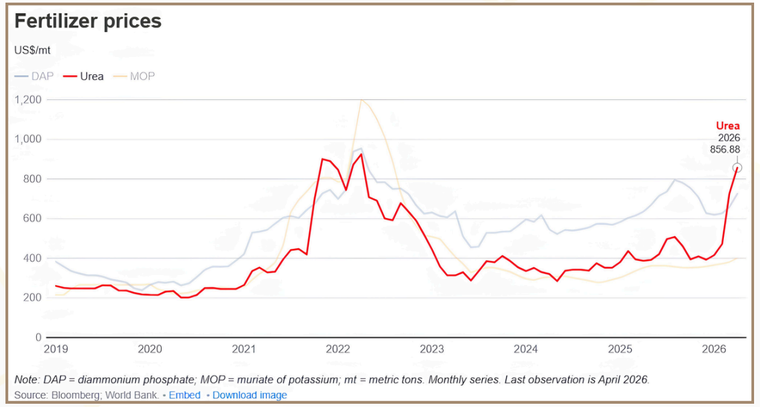
Renewable Energy & Its Limits

- Renewables are winning electricity and light transport as new power capacity undercuts fossil fuels on cost. One in four new cars globally is now electric Aviation, shipping, and steel have no cost-competitive clean alternative this decade
- These sectorsrepresentapproximately 62% of residual emissions at net-zero ADNOC's downstream concentration in petrochemicals and aviation fuel is deliberate — that is where demand durability lives

Fertiliser& Food Security — and the Investment Angle

- One-third of globally tradedfertilisertransits Hormuz — currently blocked Urea prices surged ~54% during spring planting season, the one window where nitrogen cannot be deferred
- Reduced application now means lower crop yields at harvest and food inflation through 2027, World Bank projectsfertiliserprice index rising over 30% in 2026





Supply backlog and plant restart lag create a sustained demand-over-supply window into 2027. CF Industries (NYSE: CF) andNutrien(NYSE: NTR) are the most liquid North-American nitrogen producers positioned to benefit!

An Introduction To Open-Weight AI Models (1/2)

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What are Open weight AI models?

These are AI models that can be downloaded, so an individual or enterprise can run them on their own computer or hardware. They are also customizable since you have access to the programming of the model.

What is the difference between Open weight and open-source AI models?

A LLM is created when you train it with a large scale of data. It learns the fine relationships between words and phrases in a language, each relationship is termed a parameter or weight. An open-weight model shares the parameters or weights, but it is not completely open-source because it does not share the data that was used to train it and the training code – the scripts or frameworks used to create and curate the training dataset.

What are the benefits compared to a closed AI model?

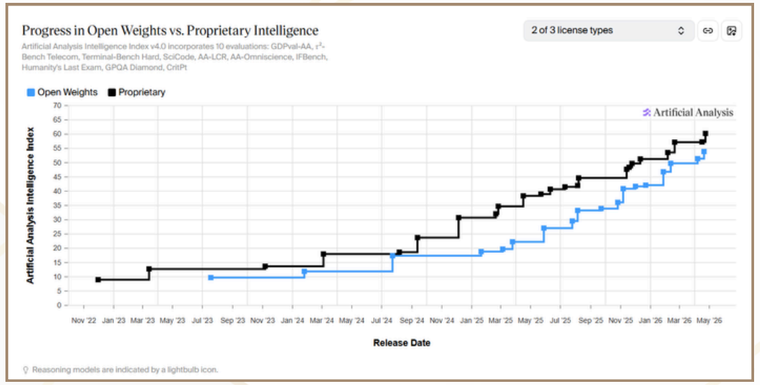
- Open-weight models are generally more cost effective on a per token basis than traditional closed AI models.
- They are customizable
- User owns the model and decides where it will be hosted, vendor lock-in is avoided.
- Data shared with the model remains private if using a self-hosted model or using private network.

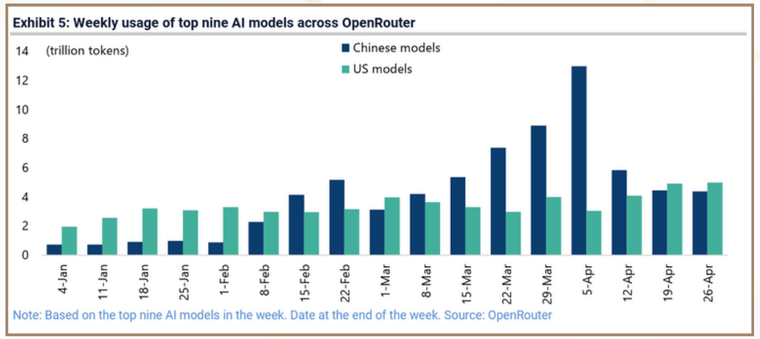
Who is the target audience?

Primarily targets sovereign entities, large to medium scale enterprises which hold private and confidential data at massive scale and cannot use closed AI models for processing such data.

Current top players?

Alibaba, Deepseek, Mistral AI, Xiaomi, Moonshot AI, Ziphu.AI, Minimax, OpenAI, Google.



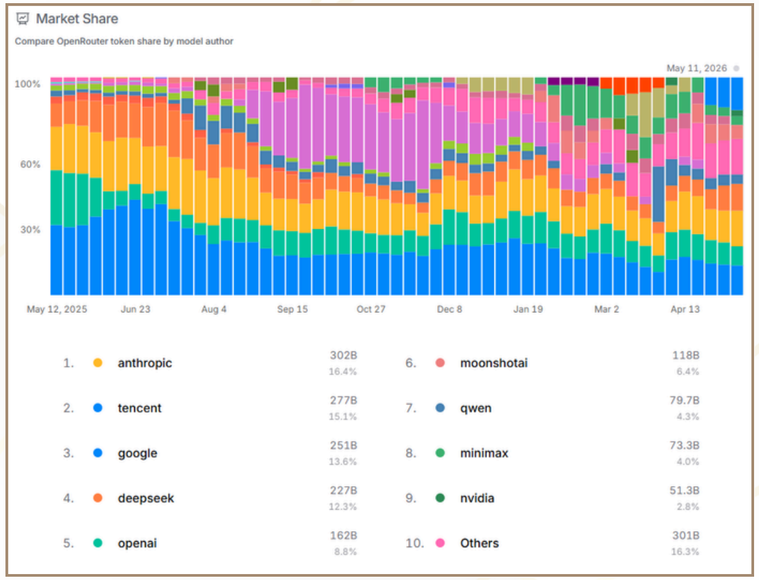


An Introduction To Open-Weight AI Models (2/2)

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What is the revenue model of open-weight model providers?

Most providers of open weight models provide the base model for free and if a user (enterprise or sovereign) wants to move up the performance ladder, require a yearly license fee. Many allow users to download the model for testing and trial, however, require a license fee for commercial use. The second source of revenue is the white glove services around model customization, deployment and operational support. Lastly, procuring infrastructure to run models currently is challenging given the shortage of supply, therefore many entities outsource the procurement to the model provider at a charge.



What is the adoption rate?

A year back in May 2025 - Google, Anthropic and OpenAI had a 77% share of tokens usage as per Openrouter. Currently the share of these 3 companies has been cut to almost half - 39%. And majority of the lost share by these 3 leaders of closed AI models has been taken up by open-weight model providers from China.

What is the cost efficiency of open-weight models?

The latest models of OpenAI and Anthropic charge $5/million input tokens. In comparison latest models of Moonshot AI charge $0.75/M input tokens, DeepSeek charges $0.43/M input tokens. And the performance score as per Artifical Intelligence is not as disproportionate. OpenAI's latest model 5.5 scores a 60.2 points and Moonshot AI's latest model scores 53.9 points. However, these scores are averages of model performance based on several metrics, therefore do not capture the exact quality gap.

Our view:

As the number of models and model providers increase, the AI model layer is becoming more and more commoditized. The value would likely shift to the enterprises themselves and to data management businesses that serve enterprises and sit between the LLM providers and the enterprise like Databricks, Snowflake, Clickhouse, etc. Because they warehouse and process a lot of enterprise data privately, their platform allows the enterprise to selectively apply LLMs on their data to provide an enterprise specific intelligence.

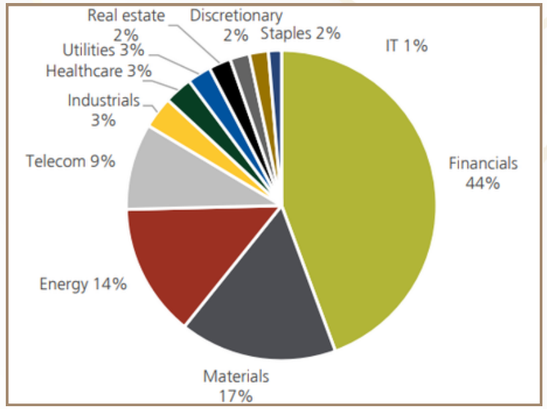
What is happening in the Kingdom of Saudi Arabia?

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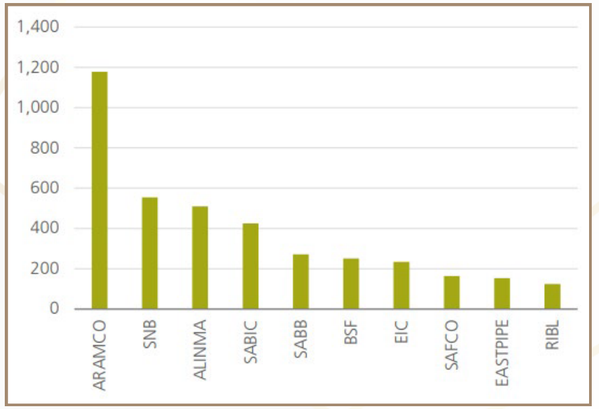
Key highlights

- The Tasi index rose by 6.6% YTD (April end) and 4.5% since the start of the conflict during H1 – April 2026 given high oil prices but fell back to 11,200 by the end of April, further dropping in May 2026
- The budget deficit widened to Sar 126bn due to 20% higher spending and overall oil revenue fell by 3% as output shortage too over the gains from high oil prices
- Non – oil revenue was 2% higher in Q1 2026
- Oil and non – oil GDP both slowed down from Q4 – 2025 and YoY, however, government spending increased
- Interestingly, despite the war, consumer spending increased by 1.5% in March YoY and 12.5% MoM and April weekly data showed an even stronger boost in consumer spending
- Saudi Arabia's breakeven cost is now $90-91 due to increased govt. spending

Foreigners share in capital market by sector YTD



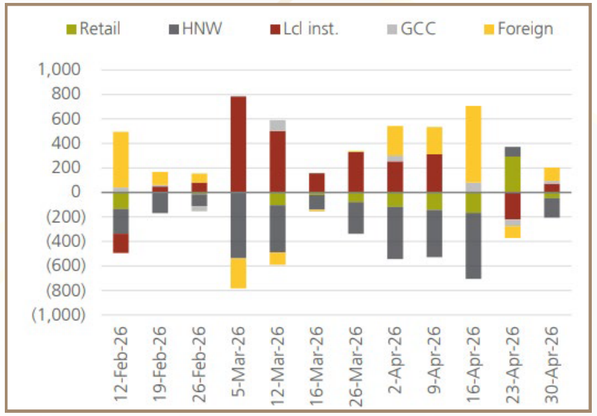
Most bought stocks by foreigners (YTD April 26)



The capital market

- We can certainly see a slowdown in the capital market – IPOs in H1 declined by 87.5% from H1 2025 in both main market and Nomu indicating investor sentiment and confidence in the region
- Aggregate revenue including Aramco rose by 7% QoQ , however excluding Aramco remained the same
- 12-month forward P/E in almost at par with 8-year historical average at 15x, however, P/E including Aramco is slightly lower
- Overall, we see that the Saudi listed market companies are way less impacted as compared to other GCC countries both politically and economically
- FDI flow into Saudi slowed in March, however, picked up in April

Activity by investor type in the last 3 months



Source of all charts : EFG Hermes research

Opportunity, we see

- Due to lower number of IPOs, we believe this is a good opportunity for investors to invest in select Pre- IPO opportunities
- We also see the corporate sukuk as an opportunity till the capital market segment is a bit slow
- Since the market has corrected, we also see this as an opportunity to invest in Saudi stocks on a bottom-up basis

Uranium 101: Driving the Nuclear Revolution

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Why Uranium ?

Think of uranium the same way you'd think of oil — it's a fuel. But instead of burning in your car's engine, it splits inside a nuclear reactor and releases enormous amounts of heat, which generates electricity.

Who actually uses uranium?

The buyers are electric utilities — the companies that run nuclear power plants. They buy uranium years in advance under long-term contracts, load it into reactors as fuel rods, and it powers homes and businesses for 12–18 months before being swapped out. The growing new buyers are tech companies signing deals directly for nuclear power to run AI data centres.

- Uranium demand growth >50% by 2035 (~4% CAGR)
- Nuclear provides ~10% global electricity, ~25% low-carbon power, Extremely high energy density: 1 kg of U-235 produces roughly the same energy as 1,500 tonnes of coal.
- Multi-year commodity upcycle thesis, structural demand + policy support

Supply Constraints

- ~75% of supply from Kazakhstan (39%), Canada (24%), Namibia (12%).New mines take 7–10+ years; post-2030 supply growth slows to ~2% CAGR.
- Latent capacity and restarts require high contract prices, limiting immediate supply.
- Physical uranium trusts absorb ~50–60M lbs from spot market, tightening supply.

Challenges

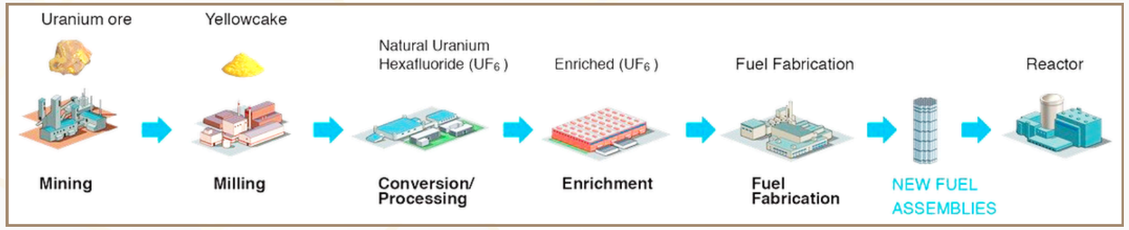
- Tech Still Developing: SMRs and Gen III/IV reactors are ~5–10 years away from large-scale deployment.
- Nuclear accidents can reduce demand growth by 10–20% in affected regions.

Demand side ↑

70 new reactors being built. Existing reactors getting licence extensions. Tech companies buying nuclear power. Net-zero targets forcing governments to keep plants open.

Supply side ↓

Takes 7–10 years to open a new mine. Kazakhstan — the world's biggest producer — is missing targets due to sulphuric acid shortages. Niger (4% of supply) cut off by a 2023 coup. Russian supply being sanctioned out.



Invest in Global X Uranium ETF (URA) and Sprott Uranium Miners ETF (URNM) to capture nuclear energy growth

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